

(I would like to thank the Committees for the opportunity to comment on the Agreed Bill, which was developed and endorsed by the Worker's Compensation Advisory Council. I am Frances Huntley-Cooper, Administrator of the State Worker's Compensation Division, and chairperson of the Council. Seated with me today are James Buchen and David Newby and in the audience is Scott Schaver)

As you know, the Agreed Bill concept is a long-standing tradition in Wisconsin. The function of the Council has been to serve the Legislature by monitoring the development of the economic and social environment in Wisconsin and recommending statutory changes that are considered best for the people of our state.

Under this concept, Council members agree to support the Council's proposed changes in the Legislature and not to individually seek any changes to those proposals. Likewise, the Council members agree not to support any worker's compensation law changes that have not gone through the Council's "agreed bill" process.

The changes that are proposed through this process come from a variety of sources, including the legislature, business, and industry. The Council, being, itself, made up of representatives from labor and management, insurance carriers, and health care providers, thoroughly reviews the proposals, taking into account the views of all stakeholders, including the injured workers.

You may also know that, in the field of worker's compensation, Wisconsin is considered by many to be the model program in the nation. I am happy to report that in the most recent findings of the independent Worker's Compensation Research Institute of Massachusetts, Wisconsin still holds its position of leadership and excellence. Among the states studied by the Institute we continue to rank highest in the areas of rapid return to work, timely and accurate payments to injured workers, low levels of litigation, low costs of program administration, and low costs to employers. All this while Wisconsin maintains above average benefit levels for injured workers.

Many experts believe that Wisconsin's system involving the Council and the agreed bill process is key to our effectiveness as a program. Based on this concept, the Legislature traditionally accepts the Council's recommendations and enacts them into law. The Council is aware of the

trust and support offered by the Legislature. In return, the Council makes every effort to address worker's compensation concerns and respond to questions brought by legislators.

I would like to offer (Mr. Buchen and Mr. Newby) an opportunity to make some introductory comments and then we will be happy to answer any questions the committees may have.



Wisconsin Manufacturers & Commerce

Memo

TO: Members of the Senate Labor, Elections and Urban Affairs Committee
Members of the Assembly Labor and Industry Committee

FROM: James A. Buchen, Vice President, Government Relations

DATE: February 14, 2008

RE: Support for SB 430/AB 758 – Worker's Compensation Reform Legislation

Wisconsin Manufactures and Commerce supports Senate Bill 430 and Assembly Bill 758, a package of workers reform initiatives developed by the Wisconsin Worker's Compensation Advisory Council.

Reforms in SB 404/AB 758

The primary focus of this legislation addresses benefits issues for injured Wisconsin workers. The bill provides an increase in disability benefits for both Permanently Partially Disabled claimants, as well as supplementary benefits for Permanently Totally Disabled claimants. The PPD and PTD benefit increase and supplement are designed to keep pace with the needs of injured workers, within the worker's compensation system's ability to provide those benefits.

In addition, the bill addresses a recent court decision that had created uncertainty regarding the application of the Worker's Compensation Acts application of the exclusive remedy provision as it relates to employees of temporary employment services working at the same worksite who cause an injury to the other. This legislation assures that the exclusive remedy provision of the Wisconsin Worker's Compensation Act applies to those situations.

The WCAC's Future Focus

The Wisconsin Worker's Compensation Advisory Council (WCAC) focused a great deal of its deliberations in the past two years on matters relating to the cost of providing health care services to Worker's Compensation claimants. Management Representatives on the WCAC would like to continue to focus on this area.

Benchmarking data provided by the Worker's Compensation Research Institute continues to show that health care costs in Wisconsin are rising at a faster pace than those costs in most other states. At the same time, Wisconsin continues to achieve better than average outcomes for injured workers. Thus, indemnity benefit costs appear to be offsetting the higher health care costs. However, over the longer term, if health care costs do not moderate, Wisconsin employers could face significant challenges to providing affordable worker's compensation insurance coverage to their workers.

Conclusion

In conclusion, WMC supports Senate Bill 430 and Assembly Bill 758, and urges the members of the Senate and Assembly Labor Committees to approve these bills.



Wisconsin State AFL-CIO *...the voice for working families.*

David Newby, President • Sara J. Rogers, Exec. Vice President • Phillip L. Neuenfeldt, Secretary-Treasurer

TO: Members of the Senate Labor, Elections and Urban Affairs Committee
and the Assembly Labor and Industry Committee

FROM: David Newby, President

DATE: February 14, 2008

RE: Support for SB 430 / AB 758, Changes to Workers Compensation Law

The Wisconsin State AFL-CIO supports SB 430 and strongly urges your support for this bill, without amendment.

As you know, Wisconsin has had an understood process by which the Workers Compensation Advisory Council carefully works out a bill supported by both labor and management Members of the Council which the Legislature is urged to adopt without amendment.

This process has served us well over many decades, and we hope you follow in this tradition by supporting SB 430.

As you know from other materials, this bill does not contain major changes to our Workers Compensation law. Provisions include:

- 1) Increasing Permanent Partial Disability indemnity rates by \$10 weekly in 2008 and in 2009 (basically a cost of living increase).
- 2) Permitting all injured employees to choose Christian Science treatment, eliminating the power of employers to block this option.
- 3) Establishing rules regarding policy coverage and cost available to Professional Employee Organizations and Employee Leasing Companies.
- 4) Scaling back hearing loss benefits.
- 5) Raising the minimum indemnity payment for those who are Permanently and Totally Disabled from the rate in effect in 1987 to the rate in effect in 1992.

Our greatest disappointment with this bill is that more could not be agreed upon to increase payments for those who have been Permanently and Totally Disabled. Unfortunately, Wisconsin law does not contain any automatic Cost of Living adjustment for these severely injured workers. Thus the purchasing power of their weekly payments is reduced every year by that year's rate of inflation. While we have made sporadic changes to increase the floor on these payments, we need to bring all these workers who were totally disabled in the past up to current payment levels. That has been labor's top priority in the last two rounds of discussions, and it will be our top priority in the discussions leading to the bill that will be presented to you in the next Session. Permanently and Totally Disabled workers deserve payments that permit them to live at a minimum level of dignity, no matter how many years have passed since their tragic injury. Achieving economic justice for these workers will remain our first objective.



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**Before the Assembly Committee on Labor & Industry and the
Senate Committee on Labor, Elections, & Urban Affairs
Testimony of Adam S. Peer, Assistant Director, State Government Affairs
National Association of Professional Employer Organizations (NAPEO)
2007 Assembly Bill 758 and Senate Bill 430
February 14, 2008**

Thank you Chairman Coggs, Chairman Honadel, and Committee Members: My name is Adam Peer and I am representing the National Association of Professional Employer Organizations. On behalf of our entire membership and specifically our Wisconsin-based members, I am here this today to testify in support of Assembly Bill 758 and Senate Bill 430 which make important changes to workers' compensation law that effect professional employer organizations.

As you know, this legislation is a result of the work of the Workers' Compensation Advisory Council and special working group that focused on professional employer organizations specifically. NAPEO would like to thank the members of the council and working group for their time and consideration of our issues.

A Professional Employer Organization or PEO is a business that partners with an existing small business to manage human resources, that can include employee benefits including healthcare, workers' compensation, Section 125 plans, retirement services and other critical benefits so their small business clients can focus on their core competencies to maintain and grow their business. The average PEO client is a small business with an average of 5 to 20 employees. By forming an employment relationship with these small businesses and their employees, PEOs are able to offer enhanced access to employee benefits that makes a small business of 10 feel like they are part of a company of 10,000.

This legislation is an important step forward in recognizing the important workers' compensation services that a professional employer organization provides to small businesses. NAPEO will continue to participate in the council process to work on clarifying professional employer organizations.

NAPEO also appreciates the work of the Wisconsin Rating Bureau on these issues. The bureau has drafted an amendment to the basic rating manual in anticipation of this legislation becoming law. An important part of that filing is a footnote that clarifies that insurers may issue workers' compensation policies with flexible premium options to professional employer organizations. Specifically, the footnote states:

"¹ Policies issued to the ELC [employee leasing companies] as the first named insured for the ELC's Wisconsin clients, or policies issued with the client as the first named insured, are not restricted from being combinable and subject to application of a retrospective rating option premium."

It is our understanding that while AB 758 and SB 430 do not specifically address flexible premium options, it is clearly the intention that those options will be available to PEOs as evidenced by the inclusion of the footnote in the draft amendment to the basic manual that was developed in conjunction with the bill language recommended to the legislature.

Additionally, on page 31 lines 3 to 7 of the legislation, it is our understanding that the coverage the language refers in lines 6 and 7 is coverage that is provided as professional employer organization services.

Again, I urge your support of Assembly Bill 758 and Senate Bill 430. Thank you for your time and consideration.

Adam S. Peer, Assistant Director
National Association of Professional Employer Organizations

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